



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

HIGHLIGHTS

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Hybrid Mail Efforts

Report Number SM-MA-13-004

BACKGROUND:

A hybrid mail system is a service that allows letters to be sent in digital format and be received in hard copy. We estimate the potential hybrid mail market for the U.S. Postal Service is small- and medium-sized businesses with about 400 million mailpieces annually.

The Postal Service currently offers hybrid mail services through agreements with three affiliated partners (Click2Mail, Cardstore.com, and Premium Postcard). The Postal Service developed its own hybrid mail platform, the Direct Mail Hub, in fiscal year (FY) 2011, which focuses on small- and medium-sized business and allows users to send their customers direct mail. Our objective was to assess current Postal Service hybrid mail efforts and opportunities to improve these efforts.

WHAT THE OIG FOUND:

The Postal Service could improve its hybrid mail efforts by developing a business strategy to increase the revenue and market share of its current hybrid mail products. Specifically, we noted that Postal Service's revenue with affiliated partners dropped 58 percent, from \$11.4 million in FY 2007 to \$4.8 million in FY 2011 because there

was no strategic plan promoting hybrid mail products and the affiliated partners' agreements did not include measurable performance goals. In addition, the Postal Service's affiliated partners have a small share of the potential hybrid market for small- and medium-sized businesses, about 3 percent of the estimated \$200 million market for hybrid mail products. Management could increase revenue by offering transactional mail, which includes invoices, statements, surveys, and reminders; and addressing related privacy issues. As a result, the Postal Service may have lost \$4.1 million of potential revenue annually in FYs 2011 and 2012 and could potentially increase revenue by at least \$3.8 million annually in FYs 2013 and 2014.

WHAT THE OIG RECOMMENDED:

We recommended that management develop a business strategy for hybrid mail and establish measurable goals for affiliated partners to increase revenue. In September 2012, Postal Service management took partial corrective action by establishing revenue goals with the affiliated partners.